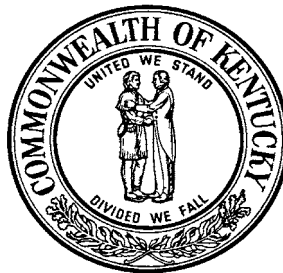


**REPORT OF THE AUDIT OF THE
FORMER LAWRENCE COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER LAWRENCE COUNTY CLERK

**For The Year Ended
December 31, 2002**

The Auditor of Public Accounts has completed the former Lawrence County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$29,175 from the prior calendar year, resulting in excess fees of \$23,331 as of December 31, 2002. Revenues increased by \$7,807 from the prior year and disbursements increased by \$33,064.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Phillip L. Carter, Lawrence County Judge/Executive
Honorable Gallie Isaac Jr., Former Lawrence County Clerk
Honorable Chris Jobe, Lawrence County Clerk
Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Clerk of Lawrence County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Phillip L. Carter, Lawrence County Judge/Executive
Honorable Gallie Isaac Jr., Former Lawrence County Clerk
Honorable Chris Jobe, Lawrence County Clerk
Members of the Lawrence County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2003, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 31, 2003

LAWRENCE COUNTY
GALLIE ISAAC JR., FORMER COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State Grants		\$	12,821
State Fees For Services:			
Election Personnel Refund and Voter Registration	\$	5,543	
Preparation of Tax Bill		<u>4,218</u>	9,761
Fiscal Court:			
Clerk of the Fiscal Court	\$	3,600	
Election Commissioner		800	
Board of Assessment		400	
PVA Real Estate Conveyances		920	
Tax Bill Preparation		1,607	
Federal Social Security and Medicare		<u>14,814</u>	22,141
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	332,447	
Usage Tax		976,256	
Tangible Personal Property Tax		550,962	
Licenses-			
Fish and Game		11,631	
Marriage		7,598	
Deed Transfer Tax		17,928	
Delinquent Tax		<u>101,554</u>	1,998,376
Fees Collected for Services:			
Recordings-			
Chattel Mortgages and Financing Statements	\$	47,450	
Deeds		11,987	
Real Estate Mortgages		19,345	
Deed of Releases		10,763	
All Other Recordings		9,123	
Charges for Other Services-			
Candidate Filing Fees		8,112	
Copywork		<u>2,050</u>	108,830
Other:			
Bail Bonds	\$	266	
Passport Applications		1,890	
Postage		635	

LAWRENCE COUNTY

The accompanying notes are an integral part of the financial statement.

GALLIE ISAAC JR., FORMER COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Receipts (Continued)

Other: (Continued)

UCC1	\$	510	
Miscellaneous		<u>9,227</u>	\$ 12,528
Interest Earned			<u>941</u>
Total Receipts			\$ 2,165,398

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	245,600	
Usage Tax		942,757	
Tangible Personal Property Tax		284,233	

Licenses, Taxes, and Fees-

Fish and Game		11,230	
Delinquent Tax		12,817	
Legal Process Tax		14,240	
Candidate Filing Fees		<u>930</u>	\$ 1,511,807

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	93,474	
Delinquent Tax		15,069	
Deed Transfer Tax		<u>17,032</u>	125,575

Payments to Other Districts:

Tangible Personal Property Tax	\$	150,630	
Delinquent Tax		<u>45,982</u>	196,612

Payments to Sheriff 1,759

Payments to County Attorney 14,894

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 146,221

Employee Benefits-

Employer's Share Social Security 14,813

LAWRENCE COUNTY
 GALLIE ISAAC JR., FORMER COUNTY CLERK

The accompanying notes are an integral part of the financial statement.

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:
(Continued)

Contracted Services-			
Advertising	\$	240	
Service on Leased Equipment		5,718	
Materials and Supplies-			
Office Supplies		5,026	
Other Charges-			
U.S. Passport Applications		1,425	
Office Expense		8,831	
Tax Bill Preparation		2,598	
Postage		4,490	
Fax Line		817	
Conference and Meetings		3,408	
Clerk and Deputy Bond		478	
Dues and Memberships		450	
Leased Software Program		6,460	
Non-Contracted Service		1,260	
Refunds		6,863	
State Grant		12,821	
Service Charge		52	
Capital Outlay-			
Office Equipment	\$	625	\$ 222,596
Total Disbursements			<u>\$ 2,073,243</u>
Net Receipts			\$ 92,155
Less: Statutory Maximum	\$	62,259	
House Bill 810 Training		<u>2,965</u>	<u>65,224</u>
Excess Fees			\$ 26,931
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2002			\$ 23,331
Payments to County Treasurer - March 15, 2003			<u>23,331</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the calendar year.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk's office and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The former County Clerk received a local records microfilming grant in 2001 from the Kentucky Department for Libraries and Archives in the amount of \$12,821. The beginning balance at January 1, 2002, was \$12,856. The former clerk received an additional \$55 in interest and expended \$12,911 during 2002. The grant balance was \$0 as of December 31, 2002.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Phillip L. Carter, Lawrence County Judge/Executive
Honorable Gallie Isaac Jr., Former Lawrence County Clerk
Honorable Chris Jobe, Lawrence County Clerk
Members of the Lawrence County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the former Lawrence County Clerk for the year ended December 31, 2002, and have issued our report thereon dated March 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Lawrence County Clerk's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Lawrence County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 31, 2003

